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C O N F I D E N T I A L SECTION 01 OF 03 COLOMBO 001917

SIPDIS

DEPARTMENT FOR D, SA, SA/INS, S/CT, DS/DSS/ITA, DS/IP/NEA/SA  
DEPARTMENT ALSO PLEASE PASS TOPEC  
NSC FOR E. MILLARD

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TAGS: [PGOV](#) [PINS](#) [PTER](#) [ASEC](#) [MOPS](#) [ECON](#) [CASC](#) [CE](#) [NO](#) [LTTE](#)

SUBJECT: In further move, President declares state of emergency

Refs: (A) Colombo-Ops Center 11/05/2003 telecons

- (B) Colombo-SA/INS 11/04/2003 fax  
- (C) Colombo 1902, and previous

(U) Classified by Charge' d'Affaires James F. Entwistle.  
Reasons 1.5 (b, d).

1. (C) SUMMARY: Adding further to her sudden actions on November 4, the President declared a state of emergency on November 5. She told the Charge' (Septel) that, despite reports to the contrary, she had not sacked the finance minister. On the evening of November 4, President Kumaratunga read a brief statement on national TV asserting that she had had to take over several ministries and suspend Parliament earlier that day in order to "ensure national security." In response to her actions, a key government minister sharply criticized the President at a briefing for diplomatic missions. The LTTE has said it is concerned about the President's actions. Amid a dive in the stock market, the President's moves also have serious economic implications. The situation in Colombo remains quiet. Septel analyzes the sharp deepening of cohabitation divisions and their possible impact on the peace process. END SUMMARY.

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President's Latest Steps  
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2. (SBU) Further to her dramatic actions on November 4 (see Ref C), President Kumaratunga declared a state of emergency on November 5. One key effect of this declaration will be the prohibition without permission of public campaigning, public gatherings, and the use of public address systems.

3. (C) Despite many reports that she had taken over the Finance Ministry, the President told the Charge' point blank late November 5 that she had not/not taken any steps against the finance minister. Per her November 4 actions, however, she has fired the interior, defense, and mass communications ministers and retained the portfolios of each ministry for herself. Personnel changes, especially within the media, also continue. The President has replaced the officials in charge of the government-run ITN television station, the Sri Lanka Broadcasting Corporation radio station, and Lake House, the government-owned newspaper house. On the evening of November 4, she also ordered the government printer to publish the gazette notifications making official her ministerial changes and her suspension of Parliament. The government printer was reportedly forced by the police to take these steps, but he was later released.

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November 4 TV Statement  
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4. (U) By way of publicly explaining her actions, President Kumaratunga read a brief statement on national television late November 4. (Note: A copy of the statement was faxed to SA/INS -- see Ref B.) Speaking both in Sinhala and later in English, the President said her "urgent corrective action" was meant to remedy the GSL's "ineffective steps...to ensure national security." She went on to assert that she was "committed to the preservation of a pluralist, democratic society." Commenting on the peace process, the President expressed her "willingness to discuss with the LTTE a just and balanced solution of the national problem, within the parameters of the unity, territorial integrity and sovereignty of Sri Lanka." She closed by appealing to all citizens to remain calm and maintain law and order.

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Key Minister criticizes President's actions  
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5. (C) With the Prime Minister and many of his key

aides in Washington, the reaction of the United National Party (UNP) governing coalition to the President's moves continues to be halting. Late November 4, a brief statement in the PM's name was issued. The statement strongly condemned the President's actions (see Ref C). On November 5, G.L. Peiris, a key GSL minister in charge of peace process issues, gave a briefing to members of the diplomatic corps and heads of international agencies. Karu Jayasuriya, Deputy UNP leader and Minister of Power, was also present. While the briefing started out as a pre-arranged review of the peace process, it quickly turned to the GSL's views on President Kumaratunga's recent moves. Peiris characterized her actions as a "usurpation of power," and said they had been "fundamentally repugnant and contrary to the norms of democratic government." Peiris also criticized the timing of the President's actions, claiming that they were designed to mar Prime Minister Wickremesinghe's ongoing visit to the U.S. and interrupted the budget process in Parliament (see Para 9).

16. (C) Peiris also repeatedly asserted that the UNP government continued to enjoy the support of a majority of the Parliament and that a motion of confidence in the PM was being drafted. Peiris went on to note that if the President felt she had the political support to take over control of Parliament then she should do so, but that he believed the President did not have the necessary backing.

17. (C) In other developments, a formal impeachment motion on Supreme Court Chief Justice Sarath Silva was handed over to Speaker of Parliament Joseph Perera by UNP MPs hours before the President suspended Parliament on November 4. Given the suspension of Parliament, however, no action can be taken on the impeachment motion until it reconvenes. The move to impeach the Chief Justice has sparked a protest in the judiciary, with a work stoppage by judges and court staff taking place on November 5. In the meantime, Gayantha Karunatileke, a UNP Spokesman, told Pol FSN that UNP party members were "sitting tight" until the Prime Minister returned from Washington and issued instructions on what they should do.

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Tigers express Concern  
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18. (C) The Liberation Tigers of Tamil Eelam (LTTE) have expressed concern about the situation. In a November 4 article on the pro-LTTE website "TamilNet," under the headline "Future of Sri Lanka's peace hangs in balance," Tiger spokesman Daya Master stated that the group is "carefully monitoring and studying developments" before taking any decisions. The article goes on to characterize the status of the GSL-LTTE ceasefire agreement as "uncertain." In a November 5 press report, Master was also quoted as stating that "these sudden decisions of the President have jeopardized the peace process." In the meantime, there are reliable reports that the LTTE appears to be pulling its political cadre from their offices in government-controlled areas of the north and east, and bringing them back to LTTE-controlled areas.

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Economic implications  
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19. (C) President Kumaratunga's steps seem set to have a serious economic impact. The budget was to be presented to Parliament on November 12 for its first reading, with a third and final reading scheduled for December 14. According to Faiz Mohideen, Deputy Secretary of Finance, the government cannot spend any money after January 1 if the budget has not been passed. The only relief to that situation is the ability to extend, only twice, the previous year's budget for a quarter. That measure, however, must be voted on by Parliament, which is currently suspended by order of the President.

110. (SBU) Following the President's actions, Colombo's stock market, which had been the second best performing market in Asia in 2003 (and was perhaps slightly overheated) also took a sharp blow. Already down from uncertainties surrounding the LTTE's counterproposal to the GSL, the market fell by 5 percent on November 4 (its largest one-day drop to that point) and declined by an additional 15 percent on November 5. It is down more than 18 percent from its historic high in mid-October. While some analysts had predicted a "slight" correction, nothing of this magnitude was forecast.

111. (C) The continued swirl of rumors and confirmed

moves by the President (including the apparently erroneous reports about a takeover of the Finance Ministry) are likely to have a further negative effect on the economy. The rupee, which had appreciated slightly, and remained stable for several months, has depreciated against the dollar. The Board of Investment (BOI) issued a statement to try to calm investors, noting that the "BOI of Sri Lanka will not detract from our general commitment to improving our level of service." Nonetheless, econoff heard from representatives of MAS Holdings, a major apparel manufacturer in Sri Lanka, that Lands End -- a major new buyer -- was thinking about canceling an imminent visit. Tilak de Zoysa, Chairman of the Ceylon Chamber of Commerce, told poloff on November 5 that he and other business leaders were "very disturbed" at what he characterized as "serious" implications for the recovering economy.

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Colombo remains Calm  
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112. (SBU) The situation in Colombo has remained quiet throughout the crisis. Although military troops have been lightly deployed around some government press and media installations, security has not increased otherwise and people are moving freely about the city. The Consular Section has received some queries from Amcits about the situation. In response, Mission plans to issue a brief consular message.

113. (U) Minimize considered.

ENTWISTLE